

TENNESSEE REGULATORY AUTHORITY

Deborah Taylor Tate, Chairman
Pat Miller, Director
Sara Kyle, Director
Ron Jones, Director



460 James Robertson Parkway
Nashville, Tennessee 37243-0505

August 11, 2003

Mr. Joe A. Conner, Esq.
Ms. Misty Smith Kelley, Esq.
Baker, Donelson, Bearman & Caldwell, PC.
1800 Republic Center
633 Chestnut Street
Chattanooga, TN 37450-1800

Re: Docket No. 03-00388: *Joint petition of Tennessee-American Water Company and Marion County, Tennessee for Approval of Purchase Agreement*

Dear Mr. Conner and Ms. Kelley:

In order to assist the Authority in its evaluation of outstanding issues in Docket No. 03-00388 referenced above, it is requested that you respond to the following:

1. On June 16, 2003, Tennessee American Water Company (TAWC) and Marion County filed a joint petition seeking approval of the acquisition by TAWC of the water utility distribution system owned by Marion County (See Docket No. 03-00388). Has TAWC entered or does the Company plan to enter into any other "Operating & Maintenance Agreement" ("O&M Agreement") like the one involving the Suck Creek system in Marion County?
2. Were any of the current investments and expenses in the connector between the Suck Creek system and the Lone Oak Utility District as well as their corresponding revenues included in the Company's rate case (Docket No. 03-00118)? If so, explain where those amounts can be found. If not, why not?
3. For all systems covered by such O&M Agreements, provide detailed trial balances for 2001 and 2002, by month, by account, including adjusting entries and post-closing balances.
4. For all systems under such O&M Agreements, provide detailed accounts as recorded in your books of any transfer of cash, assets, equity and liabilities from regulated TAWC business to the systems, and explain what interest was charged by TAWC to the systems under O&M Agreements.
5. What is the average water consumption per month per customer and customer classes?

6. Is the application fee considered like a deposit? If so, does it meet the standard of customer deposits set by the Authority Rule 1220-4-3-.15?
7. Your response to my July 16, 2003 data request question 2 indicates that the revenues and expenses of the system will be initially kept separate from the remainder of TAWC's system so as to not adversely impact the rates of current TAWC ratepayers. How long will the current rate structure be maintained by TAWC before any rate increase for the Suck Creek System customers?
8. You also indicated that TAWC will likely petition the TRA to combine the Suck Creek System with TAWC system. Could you explain? Will TAWC be operating the Suck Creek System as an affiliate, a franchise or an independent system with its own certificate of convenience and necessity?
9. The net book value of the assets of Suck Creek Utility District totals \$960,443 but the system was purchased for only \$153,269. Could you explain how much and what types of upgrades are needed to address any deficiencies the water system currently has?

It is requested that this information be provided by 2:00 PM, Wednesday, August 20, 2003. Should you have any questions regarding this request, please contact Rosie Naccarato at 615-741-2904, ext. 156.

Sincerely,



Aster Adams, Chief
Economic Analysis & Market Monitoring Division

cc: William F. L'Ecuier (TAWC), John Harvey Cameron (Marion County), Russell Perkins (CAD), Hal Novak, Eddie Roberson, Richard Collier, Rosei Naccarato, Dockets & Records (Docket No. 03-00388)